

Message Text

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ACTION EUR-25

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TO AMEMBASSY LISBON PRIORITY

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E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: EDRC ANNUAL REVIEW OF PORTUGAL, JULY 12

REF: OECD DOC EDR(74)24

1. SUMMARY. GOP REPS HAVE ASKED OECD TO PROVIDE
ADVICE ON RESTRUCTURING OF PORTUGUESE ECONOMY. ACTION
REQUESTED: MISSION WOULD APPRECIATE COMMENTS FROM
EMBASSY PORTUGAL, IF POSSIBLE, IN TIME FOR EDRC REVIEW
FRIDAY, JULY 12. END SUMMARY.

2. EDRC REVIEW OF PORTUGAL, ORIGINALLY SCHEDULED
FOR FALL 1974, HAS BEEN SHIFTED FORWARD AT REQUEST
PORTUGUESE AUTHORITIES TO OBTAIN BENEFIT OF OECD
ANALYSIS OF CHANGED ECONOMIC SITUATION. PORTUGUESE
DEL AT RECENT ECONOMIC POLICY COMMITTEE MEETING MADE
SPECIAL PLEA TO SECRETARIAT AND OECD MEMBERS TO PRO-
VIDE ADVICE TO PORTUGAL ON EFFORTS TO RESTRUCTURE
ECONOMY. REGRETTABLY, SECRETARIAT DOCUMENT ONLY
APPEARED MORNING OF JULY 10 AND ONLY IN FRENCH TEXT.
DOCUMENT IMMEDIATELY SENT INTERNATIONAL EXPRESS MAIL
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TO EMBASSY LISBON. WE REALIZE SHORTNESS OF TIME PRE-

CLUDES COMPREHENSIVE ANALYSIS, BUT WE WOULD APPRECIATE RECEIVING ANY INTERESTING QUESTIONS OR SUGGESTIONS EMBASSY CAN PROVIDE IN TIME FOR OPENING BUSINESS JULY 12. ALSO ANY REPORTING CABLES INVOLVING ANALYSIS OF RECENT ECONOMIC SITUATION, NOT PREVIOUSLY SENT OECD, WOULD BE USEFUL ADDITION TO BACKGROUND.

3. SECRETARIAT PREPARED REFDOC HASTILY AND WITHOUT ACCESS TO USUAL INFORMATION NEEDED FOR INDEPENDENT FORECASTS AND CONCLUSIONS. DOCUMENT IN PRESENT FORM SIMPLY EXAMINES 1973 PERFORMANCE AND GIVES DETAILS OF RECENT POLICY MEASURES. HOWEVER, MAIN ISSUES PAPER RAISES SEVERAL QUESTIONS FOR DISCUSSION AT EDRC, ON WHICH EMBASSY COMMENTS WOULD BE HELPFUL.

4. SECRETARIAT SEES CHANCE OF UPSURGE IN PRICES AFTER FREEZE IS LIFTED JULY 10, AND WONDERS WHAT MONETARY, FISCAL OR OTHER MEASURES GOP WILL ADOPT TO CONTROL INFLATIONARY TENDENCIES. SECRETARIAT ALSO CONCERNED THAT PLANNED INTRODUCTION OF SOCIAL SECURITY SYSTEM AND OTHER SOCIAL ASSISTANCE MEASURES WILL CREATE BUDGETARY FINANCING PROBLEMS AS WELL AS GIVE FURTHER IMPETUS TO INFLATION. IN FIELD OF MANPOWER PLANNING, SECRETARIAT SEES POSSIBILITY THAT CHANGES IN EMIGRATION POLICY AND/OR IN LABOR MARKET CONDITIONS OF NEIGHBORING COUNTRIES MAY CREATE PROBLEMS OF INTEGRATION OF ADDITIONAL MANPOWER INTO PRODUCTIVE SYSTEM. SECRETARIAT ALSO SEEKS INFORMATION ON INVESTMENT BEHAVIOR. FINAL QUESTION REGARDS POSSIBLE CHANGES IN STRUCTURE OF TRADE FLOWS AND IMPACT ON BOP, AND GOP INTENTIONS REGARDING CONTROLS OVER CAPITAL FLOWS.

5. POSTSCRIPT: ENGLISH TEXT OF REFDOC HAS ARRIVED AND IS BEING SENT EXPRESS TO EMBASSY LISBON THIS AFTERNOON.
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